APPLICATION FOR
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FOR

CARD-BASED SYSTEM AND METHOD FOR ISSUING NEGOTIABLE INSTRUMENTS

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CARD-BASED SYSTEM AND METHOD
FOR ISSUING INSTRUMENTS

CROSS REFERENCE TO RELATED APPLICATIONS

This application claims priority to United States Provisional Application No. 60/130,057, filed on April 19, 1999. and United States Patent Application No. _____, filed on _____, 2000.

FIELD OF THE INVENTION

The present invention relates generally to prepaid negotiable instruments. More specifically, the present invention relates to pre-paying funds into a transaction account and subsequently drawing upon those funds through the issuance of negotiable instruments.

BACKGROUND

Banks traditionally offer certain benefits to their customers, such as safe-storage of and access to funds, direct deposit capabilities, automated teller machine (ATM) access and convenience of service points, etc. Many members of the cash based society understand and seek such bank-like benefits at reasonable and straightforward prices, but are often reluctant to enter into a relationship with banks. One reason for the cash based society's avoidance of banks is that they tend to feel that they are not respected by banks. Also, members of the cash based society typically reject hidden fees, limited services and locations, approval processes, minimums, etc. Thus, the prevailing product and service approaches of banks tend to intimidate members of the cash based society, or at least impede the successful adaptation of bank services to their needs and lifestyles.

Some banks and financial institutions offer "low cost" or "basic" accounts. Such financial institutions usually restrict services, offer "lower" fees, and may waive minimum balance requirements. However, such low cost accounts remain unappealing to many members of the cash based society because they tend to be offered through bank branches with limited hours and locations and ATMs which may not be local to the consumer. Furthermore, there is still a credit check and an approval process associated with "low cost" accounts, which the cash based consumer might fail because of credit history or residence problems. In addition, the cash based consumer may be worried about garnishments or inconvenient, disrespectful service.

1 Some financial institutions offer debit card payroll solutions. For example, a

2 branded check printing service may provide direct deposit capabilities for federal benefit checks in

3 exchange for a transaction fee. However, federal benefit check distribution services do not allow

4 multiple withdrawals in varied amounts. Transaction fees for these and other debit card payroll

5 solutions tend to be expensive. There is currently no other banking service offered to the cash

6 based society that provides direct deposit capability.

7 Accordingly, there remains a need for a financial service that offers safe-storage of

8 and access to funds, direct deposit capabilities, automated teller machine (ATM) access,

9 convenient service points, etc, without requiring a traditional bank-customer relationship.

10

11 **SUMMARY OF THE INVENTION**

12 The present invention meets the above-described needs by providing a system and

13 method whereby a non-bank entity, such as a Licensed Money Transmitter, may issue prepaid

14 negotiable instruments to an individual. In one aspect of the invention an account structure is

15 provided that allows a non-bank entity to indirectly provide direct deposit capabilities for funds

16 representing pre-payments for negotiable instruments. When a direct deposit of funds into a first

17 account associated with the individual and maintained by a first entity is detected, the total

18 amount of the funds is transferred, or swept, into a second account associated with the individual

19 and maintained by a second entity. The first entity is a bank or other financial institution subject to

20 federal banking regulations, while the second entity is not subject to federal banking regulations.

21 Detecting a direct deposit of funds into the first account comprises detecting a credit in the total

22 amount of the funds posted in the first account. Automatically transferring the total amount of the

23 funds into the second account comprises posting a debit in the total amount of the funds in the

24 first account and posting a credit in the total amount of the funds in the second account.

25 An account number and a PIN are associated with the second account and are

26 provided to the individual. When a request by the individual for the issuance of a negotiable

27 instrument is detected, the PIN and the account number are verified to determine that the account

28 number identifies the second account and that the PIN identifies the individual as being authorized

29 to access the second account. Then, a determination is made as to whether the value of the

30 requested negotiable instrument is in excess of the balance of the second account. If the value of

1 the requested negotiable instrument plus any fees charged to the individual is not in excess of the

2 balance of the second account, the issuance of the requested negotiable instrument to the

3 individual is authorized. In response to the issuance of the requested negotiable instrument, the

4 balance of the second account is debited by the value of the requested negotiable instrument plus

5 any fees. When the individual requests the issuance of multiple negotiable instruments, a

6 determination is made as to whether the aggregate value of the requested multiple negotiable

7 instruments plus any fees is not in excess of the balance of the second account. Upon issuance of

8 the requested multiple negotiable instruments to the individual, the second account is debited by

9 the aggregate value of the requested multiple negotiable instruments plus any fees.

10 A properly enrolled customer may make subsequent deposits into the second

11 account. Upon requesting a balance increase for the second account, the individual tenders a

12 payment in the requested amount. In response to the balance increase request the second account

13 is credited in the requested amount.

14 Another aspect of the invention provides a system and method for conducting

15 anonymous transactions with an individual regarding prepaid negotiable instruments. An

16 anonymous account is provided that is identified by an account number. The individual is then

17 provided with the account number and a PIN allowing access to the anonymous account. Upon

18 verification of the PIN and the account number, the individual is authorized to make an initial

19 deposit of funds into the anonymous account. The initial deposit of funds represents a prepayment

20 for negotiable instruments. The individual is thus authorized to request the issuance of negotiable

21 instruments in an amount not exceeding the initial deposit of funds. When the issuance of

22 negotiable instruments has depleted the initial deposit of funds, the anonymous account is closed

23 and no other transactions are authorized.

24 The anonymous account may be converted into a non-anonymous account if the

25 individual provides personal identifying information, such as name, address, social security

26 number, etc. Once such personal identifying information is provided, a non-anonymous account

27 associated with the individual may be established. The non-anonymous account may have a new

28 account number and PIN associated therewith. The new account number and PIN may be used by

29 the individual to make subsequent deposits of funds into the non-anonymous account. While an

30 anonymous account is not authorized to accept direct deposits of funds, the non-anonymous

1   account may be linked to a traditional bank account, via a communications link, so as to indirectly

2   offer direct deposit capabilities.

3   These and other aspects of the present invention will become apparent upon

4   review of the following description with particular reference to the attached drawings.

5

6   **BRIEF DESCRIPTION OF THE DRAWINGS**

7   **FIG. 1** is a functional block diagram illustrating the movement of funds through an

8   exemplary account structure in an illustrative embodiment of the present invention.

9   **FIG. 2** is a functional block diagram illustrating the process flow of an illustrative

10   embodiment of the present invention.

11   **FIG. 3** is a functional block diagram illustrating an exemplary financial network

12   environment for an illustrative embodiment of the present invention.

13   **FIG. 4** is a functional block diagram of a computer system illustrating an operating

14   environment for illustrative embodiments of the program modules of the present invention.

15   **FIG. 5** is an illustration of an exemplary Cash Card[SM] of the present invention.

16   **FIG. 6** is an illustration of an exemplary anonymous Cash Card[SM] of the present

17   invention.

18   **FIG. 7** is a flow diagram illustrating an exemplary method for processing

19   transactions associated with an anonymous Cash Card[SM].

20

21   **DETAILED DESCRIPTION**

22   Members of the cash based society may avoid the above-described drawbacks

23   associated with traditional banking relationships by conducting business with Licensed Money

24   Transmitters. An example of a Licensed Money Transmitter is Western Union. A Licensed Money

25   Transmitter is legally authorized to transmit funds, either by wire, facsimile, electronic transfer,

26   courier or otherwise, within the United States or to or from locations outside the United States. A

27   Licensed Money Transmitter may also be authorized to sell or issue checks, drafts, warrants,

28   money orders, traveler's checks or other negotiable instruments. In some instances, a Licensed

29   Money Transmitter may even be authorized to sell and/or exchange currency. Unlike traditional

1   bank transactions, however, transactions handled by a Licensed Money Transmitter are not

2   insured by the FDIC.

3   The present invention allows a Licensed Money Transmitter to accept from its

4   consumers advance payments for negotiable instruments. By way of an online, non-interest

5   bearing, non-FDIC insured transaction account, the Licensed Money Transmitter may provide

6   payment instrument and money transmission services to its cash based consumers without the

7   need for the qualifying/approval barriers, high costs, and intricate fee and reporting obstacles

8   associated with a traditional banking relationship. The transaction account maintained by the

9   Licensed Money Transmitter may be configured to accept deposits from a point of sale (POS)

10 terminal at a retail establishment. In an exemplary embodiment, the transaction account may also

11 be configured to indirectly accept direct deposits of funds, such as federal benefits checks and

12 employee payroll checks.

13   The consumer may access his or her pre-paid negotiable instruments electronically

14 via a POS terminal or an automated teller machine (ATM). Upon demand, a negotiable

15 instrument, such as a money order, may be printed and cashed for the consumer at a POS terminal

16 by an agent of the Licensed Money Transmitter. Negotiable instruments may be printed in

17 odd/specific amounts so that the customer may receive cash in odd/specific denominations for the

18 purpose of paying bills, etc. Alternately, an ATM may dispense the requested cash to the

19 consumer.

20   Since the transaction account maintained by the Licensed Money Transmitter is

21 not built around the classic FDIC insured demand deposit account (DDA) structure, overall

22 system costs, and ultimately consumer costs, are reduced. For example, because the funds

23 deposited into the transaction account are considered as advance payments for negotiable

24 instruments, no credit approvals are required. Also, because withdrawals from the transaction

25 account are processed on-line and in real time, mechanisms may be provided for ensuring that

26 there are no account overdrafts. Without overdrafts, there is no need to worry about fees

27 attributable to an overdrawn account status.

28   By establishing a non-banking service that offers POS and ATM access to cash,

29 the present invention allows cash based consumers to avoid visitations to bank branches that may

30 not be conveniently located. Instead, the cash based consumer may hear about the services of the

1   present invention and receive enrollment materials at the same locations at which they conduct

2   other financial or retail transactions, or through direct advertising. Consumers may transfer funds

3   directly from the service desk (via a POS terminal) of a preferred retailer at a time of day that is

4   convenient for their lifestyles. Consumers may also be provided with "VRU" or "Voice 24 x 7"

5   services so as not to be made dependent only on ATMs and agents operating POS terminals.

6   As mentioned above, an exemplary transaction account may also be configured to

7   indirectly accept direct deposit transactions. The transaction account is not configured to directly

8   accept direct deposit transactions due to the desire of the cash based consumer to avoid a

9   traditional banking relationship. Various federal regulations, which are well known to those

10   skilled in the art, require that certain direct deposit transactions involve FDIC insured bank

11   accounts, and the like. For example, direct deposit of federal benefits checks may only be made

12   into traditional FDIC insured bank accounts.

13   Similarly, banking industry requirements require that other types of direct deposit

14   transactions involve a traditional bank account. By way of illustration, direct deposit of payroll

15   checks are made through an automated clearinghouse (ACH) system, which uses routing and

16   transit (R&T) numbers and other data to effect the transfer of funds between accounts. R&T

17   numbers are assigned exclusively to FDIC insured banks. Therefore, in order to meet the cash

18   based consumer's demand for non-banking services, the Licensed Money Transmitter may choose

19   not to directly offer direct deposit capabilities that are subject to federal banking regulations and

20   banking industry requirements.

21   The following description will hereinafter refer to the drawing, in which like

22   numerals indicate like elements throughout the several figures. An exemplary flow of funds

23   through an illustrative account system of the present invention is described with reference to the

24   functional block diagram of **FIG. 1**. As shown, a transaction account **102** is established and

25   maintained by a Licensed Money Transmitter or an agent thereof. The transaction account **102**

26   may be thought of as a general account held in the name of the Licensed Money Transmitter. The

27   general account may be divided into slub-accounts that are associated with individual consumers.

28   Alternately, separate transaction 102 accounts may be established in the names of each individual

29   consumer.

1   Due to various federal regulations and industry requirements, the transaction

2   account **102** is not FDIC insured and is not authorized to accept funds that are transferred

3   through the Automatic Clearinghouse (ACH) system of the federal reserve. The ACH is an

4   electronic funds transfer system used by retail and commercial organizations. The ACH acts as a

5   normal clearing house, receiving a transaction over the network and then splitting and routing the

6   debit and credit portions of the transaction to the payer's and the payee's banks. Without ACH

7   access, the transaction account **102** is not authorized to accept direct deposits of federal benefits

8   checks, payroll checks from employers, or the like.

9   Accordingly, an exemplary embodiment of the present invention contemplates that

10   a Licensed Money Transmitter will establish a communication channel with a traditional FDIC

11   insured financial institution, such as a bank, in order to service direct deposit customers. The bank

12   will maintain an FDIC insured bank account **104**, which may either be held in the name of the

13   Licensed Money Transmitter or in the name of an individual consumer. The bank account **104** is

14   capable of accepting federal benefit direct deposits **106** and payroll direct deposits **108**, as well as

15   any other type of federally regulated or banking industry standardized transfer of funds. The

16   communication channel between the Lice

17   nsed Money Transmitter and the bank may allow the Licensed Money Transmitter to monitor the

18   bank account **104** for incoming direct deposit transactions.

19   In an exemplary embodiment of the present invention, incoming direct deposit

20   transactions are "swept" from the bank account **104** into the transaction account **102**. In other

21   words, funds that are deposited in the bank account **104** are instantly transferred into the

22   transaction account **102**. The instant transfer of funds avoids capitalization of the bank, i.e., no

23   interest on the funds is accumulated. Accordingly, the communication channel between the

24   Licensed Money Transmitter and the bank allows customers of the Licensed Money Transmitter

25   to take advantage of direct deposit mechanisms, without themselves having to become customers

26   of a bank. In addition, non-direct deposit funds may be deposited into the transaction account **102**

27   via a POS terminal **112** or via any other bank **114** or financial institution.

28   Funds that are held in the transaction account **102** may be dispersed to the

29   customer through a POS terminal **112** operated by an agent of the Licensed Money Transmitter,

30   or through a traditional ATM **116**. POS terminals **112** and ATMs **116** allow a consumer to

1   conduct a transaction from remote locations. ATMs comprise computer terminals that may be

2   configured for remote access, directly or indirectly through switching networks, to a financial

3   account of the consumer, such as a bank account **104** or a transaction account **102**. Similarly,

4   POS devices **112** comprise computer terminals located at a merchant's place of business which

5   allow access to a consumer's account information stored in a computer within a network of

6   financial institutions, to permit the transfer of funds from the consumer's account to the

7   merchant's account.

8   **FIG. 2** illustrates the process flow of an account sweep control module **210**, which

9   may be implemented through one or more software program modules. The account sweep control

10   module **210** facilitates communications between a bank computer system **212** and a Licensed

11   Money Transmitter (LMT) computer system **214**. In particular, the account sweep control module

12   **210** facilitates the transfer of funds between a bank account **104** accessible by the bank computer

13   system **212** and a transaction account **102** accessible by the Licensed Money Transmitter

14   computer system **214**. The account sweep control module **210** may be implemented as a

15   component of the Licensed Money Transmitter computer system **214**, as a component of the bank

16   computer system **212**, or as a component of a distinct computer system. The account sweep

17   control module **210** is configured to monitor the bank account **104** in order to detect the posting

18   of a credit to the bank account **104**. As shown in step **201**, an exemplary embodiment of the

19   account sweep control module **210** receives a notification from the bank computer **212** whenever

20   a credit is posted to the bank account **104**. Methods of configuring the software and hardware of

21   the bank computer system **212** to send a notification to the account sweep control module **210**

22   upon the posting of a credit to the bank account **104** will be apparent to those skilled in the art.

23   When a notification of a posted credit is received, the exemplary account sweep

24   control module **210** communicates with the bank computer **212** at step **202** in order to post a

25   debit to the bank account **104**. In the ideal situation, the credit of funds exists in the bank account

26   **104** for a period of time that is on the order of a fraction of a second prior to the posting of the

27   debit. The credit of funds posted to the bank account **104** may be in any "amount X." The

28   subsequent debit posted by the account sweep control module **210** to the bank account **104** is in

29   the total "amount X." Accordingly, the bank account **104** is "zeroed out" and, except for a

1   fraction of a second or so, maintains a balance of zero. The debit is posted to the bank account

2   **104** instantly so as to avoid capitalization of the bank.

3   At step **203**, the exemplary account sweep control module **210** communicates with

4   the Licensed Money Transmitter computer system **214** in order to post a credit of the total

5   "amount X" into the transaction account **102**. The transaction account **102** is a holding or escrow

6   account that is used to store the funds of the consumer. The transaction account **102** does not

7   accrue interest and does not function as a traditional bank account. The funds in the transaction

8   account **102** may represent prepaid negotiable instruments that may be issued to the consumer via

9   a POS terminal **112** operated by an agent of the Licensed Money Transmitter.

10   When a consumer requests the issuance of a prepaid negotiable instrument, a

11   request for authorization to issue the negotiable instrument may be transmitted from a POS

12   terminal **112** to a transaction control module **211**. A transaction control module may be

13   implemented through one or more software program modules. The transaction control module

14   **211** may be implemented as a component of the Licensed Money Transmitter computer system

15   **214**, or as a component of a distinct computer system. A transaction control module **211** is

16   configured to interact with the transaction account **102** and POS terminals **112** in order to manage

17   transactions. By way of illustration, a POS terminal **112** may request authorization to issue a

18   negotiable instrument of amount "Y," as shown in step **204**. The transaction control module **211**

19   accepts the request for authorization and communicates at step **205** with the Licensed Money

20   Transmitter computer system **214** in order to verify that the balance of the transaction account

21   **102** equals or exceeds the requested amount "Y" plus any transaction fees charged by the

22   Licensed Money Transmitter. The transaction control module **211** may also be responsible for

23   verifying that the customer requesting the negotiable instrument is in fact authorized to receive

24   the negotiable instrument. For example, the customer may be required to provide a personal

25   identification number (PIN) and an account code, which may be transmitted from the POS

26   terminal **112** to the transaction control module **211**. The transaction control module **211** may

27   communicate with a database (not shown) hosted by the Licensed Money Transmitter computer

28   system **214** in order to determine whether the PIN and account code provided by the customer are

29   authentic. Additional details regarding security features of the illustrative embodiments of the

30   present invention will be describe below.

1   If the balance in the transaction account **102** equals or exceeds the requested

2   amount "Y" plus any transaction fees, the transaction control module **211** transmits to the POS

3   terminal **112** an authorization to issue the requested negotiable instrument, as shown in step **206**.

4   However, if the balance in the transaction account **102** is less than the requested amount "Y" plus

5   any transaction fees, the transaction control module **211** will not authorize the issuance of the

6   requested negotiable instrument. As mentioned, the funds held in the transaction account **102** are

7   considered to represent prepaid negotiable instruments. Therefore, the transaction account **102**

8   will not be debited in any amount that exceeds the prepaid value of the negotiable instruments

9   plus any transaction fees. Transaction fees may be charged at the time of the transaction so as to

10   avoid the situation where the transaction account **102** is depleted and the customer owes a debt to

11   the Licensed Money Transmitter. Ensuring that the transaction account **102** is never overdrawn

12   avoiding the need to charge additional service fees associated with an overdraw account status.

13   After receiving authorization to issue the requested negotiable instrument, the

14   agent of the Licensed Money Transmitter operating the POS terminal **112** prints and cashes the

15   negotiable instrument in the amount "Y" plus any transaction fees. The agent may then retain any

16   transaction fees and provide the remainder of the cash to the consumer. At step **207**, the POS

17   terminal **112** notifies the transaction control module **211** that the negotiable instrument has been

18   issued. Then, at step **208** the transaction control module **211** communicated with the Licensed

19   Money Transmitter computer system **214** in order to post a debit in the amount "Y" plus any

20   transaction fees to the transaction account **102**.

21   The exemplary embodiments described with respect to **FIG. 1** and **FIG. 2** include

22   a two account structure (i.e., a bank account **104** and a transaction account **102**) and an account

23   sweep control module **210**. It will be appreciated to those of ordinary skill in the art that the two

24   account structure and the account sweep control module **210** are not necessary in situations

25   where there is no desire to indirectly provide direct deposit capabilities. Various features and

26   aspects of the present invention may be implemented in systems that do not require such direct

27   deposit capabilities. In addition, it should be appreciated that the functionality of the account

28   sweep control module **210** and the transaction control module **211** has been provided -by way of

29   example only. Additional functions may be performed by either module without limitation of the

30   scope of the present invention.

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1   **FIG. 3** is an overview of an exemplary Licensed Money Transmitter network

2   environment **300** that may host a system in accordance with the illustrative embodiments of the

3   present invention. A POS terminal **112** communicates with a Tandem computer system **302** via a

4   network **303**. The Tandem computer system **302** may be in communication with, or may comprise

5   a part of, the Licensed Money Transmitter computer system **214**. Although the functionality of a

6   "Tandem" brand computer system is a well-known in the art, as used herein a Tandem computer

7   system **302** may refer to any generic network server system. A POS terminal **112** generally

8   includes a printer **304** and a control terminal **306**. The control terminal **306** typically comprises a

9   keypad, a display, a modem, a memory, and a processor. The control terminal **306** may,

10   communicate print commands to the printer **304** via, for example, an RS-232 link or other suitable

11   communications link. The control terminal **306** manages negotiable instrument transactions and

12   stores data in a memory.

13   A profile database management system **312** may be provided for management of

14   the POS terminals **112**. In manners well known in the art, software updates and other data may be

15   downloaded from the profile database management system **312** to a POS terminal **112**. Such

16   software updates and other data may be generated and stored in the profile database management

17   system **312** by a Licensed Money Transmitter support personnel system **310**. The Licensed

18   Money Transmitter support personnel system **310** may include personal computers **310a** operated

19   by support personnel and telephones **310b** manned by support personnel or linked to VRU

20   systems. The Licensed Money Transmitter support personnel system **310** may be coupled to the

21   profile database management system **312** via a local area network (LAN) or other private

22   communications link. The Licensed Money Transmitter support personnel system **310** may also be

23   linked to the network **303**, so as to be accessible to customers via telephone systems.

24   At predetermined times, the control terminal **306** of the POS terminal **112**

25   transmits its data to the Tandem computer system **302** via the network **303**. The Tandem

26   computer system **302** creates a batch file comprising data received from many POS terminals **112**.

27   The Tandem computer system **302** typically forwards batch files to the appropriate component of

28   the Licensed Money Transmitter computer system **214** at predetermined times. For security

29   purposes, the Tandem computer system **302** may transmit a batch file to the Licensed Money

30   Transmitter computer system **214** via a private network or other private communications link.

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1   The Licensed Money Transmitter computer system **214** is configured for, among

2   other things, accessing the transaction account **102** maintained by the Licensed Money

3   Transmitter. The transaction account **102** may be physically stored in a memory device in

4   communication with the Licensed Money Transmitter computer system **214**. The Licensed Money

5   Transmitter computer system **214** may also host a database **316** of account codes, PINs, and other

6   customer/account information. Such customer/account information may be used for security

7   purposes and to monitor the nature and frequency of transactions performed by each customer.

8   The Licensed Money Transmitter computer system **214** may also comprise or be in

9   communication with the account sweep control module **210**. The account sweep control module

10   **210** is in turn in communication with the bank computer system **212**. The bank computer system

11   **212** is configured for, among other things, accessing the bank account **104**, which may physically

12   be stored in a memory device in communication with the bank computer system **212**.

13   The Tandem computer system **302** may be in communication with the transaction

14   control module **211**. Thus, communications to and from the POS terminal **112** may be routed

15   from and to the transaction control module **211** via the Tandem computer system **302**. As

16   mentioned, the transaction control module **211** is configured to manage transactions involving

17   deposits into and withdraws from the transaction account **102**. Although shown as being a distinct

18   network component, those skilled in the art should appreciate that the transaction control module

19   **211** may alternately be implemented as a component of either the Tandem computer system **302**

20   or the Licensed Money Transmitter computer system **214**.

21   **FIG. 4** and the following discussion are intended to provide a brief and general

22   description of a suitable computing environment for implementing various aspects of the present

23   invention embodied in software program modules, namely the exemplary account sweep control

24   module **210** and the exemplary transaction control module **211**. Although the system shown in

25   **FIG. 4** is a conventional computer **400**, those skilled in the art will recognize that the invention

26   also may be implemented using other types of computer system configurations. The computer **400**

27   includes a central processing unit **422**, a system memory **420**, and an Input/Output ("I/O") bus

28   **426**. A system bus **421** couples the central processing unit **422** to the system memory **420**. A bus

29   controller **423** controls the flow of data on the I/O bus **426** and between the central processing

30   unit **422** and a variety of internal and external I/O devices. The I/O devices connected to the I/O

1   bus 426 may have direct access to the system memory 420 using a Direct Memory Access

2   ("DMA") controller 424.

3   The I/O devices are connected to the I/O bus 426 via a set of device interfaces.

4   The device interfaces may include both hardware components and software components. For

5   instance, a hard disk drive 430 and a floppy disk drive 432 for reading or writing removable media

6   450 may be connected to the I/O bus 426 through a disk drive controller 440. An optical disk

7   drive 434 for reading or writing optical media 452 may be connected to the I/O bus 426 using a

8   Small Computer System Interface ("SCSI") 441. The drives and their associated computer-

9   readable media provide nonvolatile storage for the computer 400. In addition to the computer-

10   readable media described above, other types of computer-readable media may also be used, such

11   as ZIP drives or the like.

12   A display device 453, such as a monitor, is connected to the I/O bus 426 via

13   another interface, such as a video adapter 442. A parallel interface 443 connects synchronous

14   peripheral devices, such as a laser printer 456, to the I/O bus 426. A serial interface 444 connects

15   communication devices to the I/O bus 426. A user may enter commands and information into the

16   computer 400 via the serial interface 444 using an input device, such as a keyboard 438, a mouse

17   436 or a modem 457. Other peripheral devices (not shown) may also be connected to the

18   computer 400, such as audio input/output devices or image capture devices.

19   A number of software program modules may be stored on the drives and in the

20   system memory 420. The system memory 420 can include both Random Access Memory

21   ("RAM") and Read Only Memory ("ROM"). The software program modules control the manner

22   in which the computer 400 functions and interacts with the user, with I/O devices or with other

23   computers. Software program modules include routines, operating systems 465, application

24   programs, data structures, and other software or firmware components. In an exemplary

25   embodiment, the present invention may include one or more account sweep control modules 210

26   and one or more transaction control modules 211. The one or more account sweep control

27   modules 210 may comprise computer executable instructions for facilitating communications

28   between a bank computer system 212 and a Licensed Money Transmitter computer system 214.

29   The one or more account sweep control modules 210 may further comprise computer executable

30   instructions for monitoring credits posted to a bank account 104, posting debits to the bank

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1   account **104** and posting credits to the transaction account **102**, as previously described. The one

2   or more transaction control modules **211** may comprise computer executable instructions for

3   facilitating communications between a POS terminal **112** or an ATM **116** and a Licensed Money

4   Transmitter computer system **214**, as previously described.

5   　　　　　Many or most of the software-controlled operations performed by the exemplary

6   software program modules of the present invention are conventional and well-known in the

7   industry. For example, it is conventional and well known to communicate standard ATM and POS

8   messages between a computer system and an ATM network using conventional off-the-shelf

9   ATM and POS software. In an exemplary embodiment, the computer **400** also includes such

10   conventional software to generate and communicate appropriate messages. Conventional software

11   packages also exist which perform a variety of exceeding complex but entirely conventional

12   functions (e.g., maintaining audit trails to ensure transaction reliability, maintaining user account

13   and vender files, provide clearing information, etc.). Such conventional software program

14   modules may also be executed by the computer **400** in an exemplary embodiment. Conventional

15   database management systems may also be executed by the computer **400** for maintaining

16   customer/account information.

17   　　　　　The computer **400** may operate in a networked environment using logical

18   connections to one or more remote computers, such as remote computer **460**. The remote

19   computer **460** may be a server, a router, a peer device or other common network node, and

20   typically includes many or all of the elements described in connection with the computer **400**. In a

21   networked environment, program modules and data may be stored on the remote computer **460**.

22   The logical connections depicted in **FIG. 4** include a local area network ("LAN") **454** and a wide

23   area network ("WAN") **455**. In a LAN environment, a network interface **445**, such as an Ethernet

24   adapter card, can be used to connect the computer **400** to the remote computer **460**. In a WAN

25   environment, the computer **400** may use a telecommunications device, such as a modem **457**, to

26   establish a connection. It will be appreciated that the network connections shown are exemplary

27   and other means of establishing a communications link between the computers may be used.

28   　　　　　Aspects of the present invention may be implemented by way of any account

29   identifying mechanism, such as a plastic card issued to a particular consumer. As shown in FIG. 5,

30   in an exemplary embodiment a consumer is provided with a Cash Card^{SM} **500** that includes

1   identifying information on the front and an encoded magnetic strip on the reverse. Identifying

2   information may include an account identification code **502** and a customer name and number

3   **504**. The identifying information may be used to associate a transaction account **102** or a sub-

4   account thereof with the particular consumer.

5   From the consumer's point of view, funds may be loaded onto and off-loaded from

6   the Cash Card **500** at any time. Thus, the Cash Card **500** eliminates the cash based consumer's

7   need to carry large amounts of cash on his or her person. As previously described, the consumer

8   may authorize the deposit of funds into a transaction account **102** associated with the Cash Card

9   **500** in various ways, such as through direct deposit transactions, POS transactions, ATM

10   transactions, etc. Subsequently, upon presentation of a Cash Card **500** or other account identifier

11   and a personal identification number (PIN), the consumer may access the funds that are stored in

12   his or her name in the transaction account **102**.

13   To request a withdrawal of funds from the transaction account **102**, a consumer

14   may present the Cash Card **500** to an agent of the Licensed Money Transmitter operating a POS

15   terminal **112**. Alternately, the Cash Card may be presented at an ATM **116**. The account

16   identification code **502** may be read by the agent or an automated reader from the front of the

17   Cash Card **500** or from the encoded magnetic strip on the reverse of the Cash Card **500**. The

18   account identification code **502**, a PIN obtained from the consumer, and other data, such as a

19   requested amount of funds, are transmitted to the transaction control module **211** as a request for

20   issuance of a negotiable instrument. As described previously, the transaction control module **211**

21   interacts with the Licensed Money Transmitter computer system **214** in order to effect an

22   electronic transfer of funds from the transaction account **102** to the POS terminal **112** or the

23   ATM **116** that generated the request for funds. In a similar fashion, the Cash Card **500** may be

24   presented to an agent at a POS terminal **112**, an ATM **116**, or a teller at a bank **114** in order to

25   conduct a transaction for the deposit of funds into the transaction account **102**.

26   Accordingly, in one embodiment of the present invention, a Cash Card **500** is

27   issued in the name of a particular consumer upon that consumer's enrollment as a customer of the

28   Licensed Money Transmitter. Enrollment may entail the provision of certain customer

29   information, such as name, address, phone number, social security number, etc. For liability and/or

30   security purposes, the Licensed Money Transmitter may require some or all of the above-listed

1 customer information prior to providing a consumer with full privileges for depositing and

2 withdrawing funds into and out of the transaction account **102**.

3 As shown in **FIG. 6**, an alternate embodiment of the present invention involves the

4 issuance of an anonymous Cash Card **600**. An anonymous Cash Card **600** includes an account

5 identification code **602** and an anonymous customer indicator **604**. An anonymous Cash Card **600**

6 may be associated with an anonymous transaction account or an anonymous sub-account within

7 the transaction account **102**. The anonymous account is identified only by an account code and a

8 PIN that is provided to the consumer of the anonymous Cash Card **600**. The anonymous Cash

9 Card **600** may be a one-load Cash Card, meaning that funds may be deposited into the associated

10 anonymous transaction account only one time. Once the initially loaded funds are depleted from

11 the anonymous transaction account, the anonymous Cash Card **600** is no longer valid (unless it is

12 converted to a "regular" Cash Card **500**, as will be described below).

13 An anonymous Cash Card **600** may be sold or otherwise provided to a consumer,

14 who may then request that a particular amount of funds be loaded onto the anonymous Cash Card

15 **600**. The consumer of the anonymous Cash Card **600** is provided with a PIN, which may be used

16 to authorize loading of the anonymous Cash Card **600**. Funds to be loaded onto the anonymous

17 Cash Card **600** are collected by, for example, an agent of the Licensed Money Transmitter. A

18 credit in the amount of the collected funds is then posted to the anonymous transaction account in

19 the manner previously described. In accordance with one embodiment of the present invention, an

20 anonymous Cash Card **600** may be loaded by the consumer only at a POS terminal **112**. Given the

21 anonymous nature of anonymous Cash Card **600** transactions, no direct deposit capabilities are

22 provided.

23 The funds to be loaded onto the anonymous Cash Card **600** may be limited to

24 specific or incremental dollar amounts. For example, it may be a policy of the Licensed Money

25 Transmitter that no anonymous Cash Card **600** may be loaded with more than a predetermined

26 value. Alternately, an anonymous Cash Card **600** having a first load limit may be sold to

27 consumers for a first price, while an anonymous Cash Card **600** having a second load limit may be

28 sold to consumers for a second price, etc. In another embodiment, an anonymous Cash Card **600**

29 may be pre-loaded with a particular amount of funds. In this manner, the Licensed Money

30 Transmitter may store funds of a predetermined amount in the anonymous transaction account

1 associated with the anonymous Cash Card **600**. Then, the pre-loaded anonymous Cash Card **600**

2 may be sold to a consumer for a price equal to the predetermined amount plus any additional

3 service fees.

4 As mentioned, an anonymous Cash Card **600** may expire upon depletion of the

5 initially loaded funds. An expired anonymous Cash Card **600** may no longer be used by the

6 consumer to deposit funds into or withdraw funds from a transaction account **102**. However, the

7 present invention contemplates that an anonymous Cash Card **600** may be converted into a

8 "regular" Cash Card **500** that carries full reload and access privileges, including direct deposit

9 capabilities. Conversion from an anonymous Cash Card **600** to a regular Cash Card **500** requires

10 that the consumer enroll as a customer of the Licensed Money Transmitter. As mentioned above,

11 enrollment entails providing certain customer and account specific information. Enrollment may

12 be performed over the telephone, via the mail, or through any other suitable communications

13 medium. When the consumer has successfully enrolled as a customer, the Licensed Money

14 Transmitter may provide the customer with a new Cash Card **500** and PIN. As is well known in

15 the art, the customer may choose the PIN to be associated with his or her transaction account

16 **102**. Alternately, although less desirably, the newly-enrolled customer may continue to use the

17 original anonymous Cash Card **600** and the associated PIN as if it were a regular Cash Card **500**.

18 **FIG. 7** is a flow chart illustrating an exemplary method for processing transactions

19 associated with an anonymous Cash Card **600**. From starting block **701**, the method advances to

20 step **702** where an anonymous sub-account is established within the transaction account **102**. The

21 anonymous sub-account is identified only by an account code and is not associated with any

22 consumer identifying information. At step **704**, the anonymous Cash Card **600** is sold to a

23 consumer. Along with the anonymous Cash Card, the consumer is also provided a PIN that

24 authorizes access to the anonymous sub-account.

25 The consumer may then request an initial load of the anonymous Cash Card **600** by

26 presenting the anonymous Cash Card **600**, PIN, and funds to an agent of the Licensed Money

27 Transmitter. At step **706**, a credit in the amount of the consumer's initial funds deposit is posted

28 to the anonymous sub-account associated with the anonymous Cash Card **600**. Once funds are

29 loaded onto the anonymous Cash Card **600**, the method proceeds to step **708**, where withdrawals

30 may be made until the initial funds have been depleted. At step **710** a determination is made as to

1   whether the consumer has enrolled as a customer of the Licensed Money Transmitter. If the

2   consumer has not enrolled, the method proceeds to step **712** where the anonymous sub-account is

3   closed and the anonymous Cash Card **600** is considered to be expired.

4   However, if the consumer has enrolled as a customer of the Licensed Money

5   transmitter, the method proceeds to step **714**, where the anonymous sub-account is converted into

6   a non-anonymous sub-account associated with customer identifying information. Then at step

7   **716**, the non-anonymous sub-account is authorized to receive additional deposits from the

8   customer. At step **718**, the customer may be provided with a new non-anonymous Cash Card **500**

9   that is issued in the customer's name and has customer/account information encoded on a

10   magnetic strip or other data storage mechanism. The method ends at step **719**.

11   From a reading of the description above pertaining to the disclosed embodiments

12   of the present invention, modifications and variations thereto may become apparent to those

13   skilled in the art. Other alternatives and variations may also become apparent to those of ordinary

14   skill in the art upon a close examination of this specification in view of the drawings. It should be

15   appreciated that many features and aspects of the present invention were described above by way

16   of example only and are therefore not intended to be interpreted as required or essential elements

17   of the invention. Any elements of the invention that are required or essential would have been

18   explicitly indicated to be so, for example by describing that the element "must" be included.

19   Therefore, the scope of the present invention is to be limited only by the following appended

20   claims.

21

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1   **Modified Embodiment Cash Card**™ System and Method for Issuing Negotiable Instruments

2

3   A modified embodiment system for issuing negotiable instruments without PIN or

4   signature input is shown in **FIGS. 8a** and **8b**. The system is generally designated by the

5   reference numeral **802**. The system **802** optionally includes a regulated banking environment **804**

6   in which certain regulated activities occur and further includes an unregulated, non-banking

7   environment **806** as described above.

8   The optional banking environment **804** can include a bank account **104** (optionally

9   FDIC insured) for receiving direct deposit of federal benefits checks **106** and direct deposit of

10   payroll checks **108** as described above. An account sweep feature **808**, also as described above,

11   can transfer funds automatically and essentially instantaneously from the bank account **104** to the

12   transaction account **102** maintained with a transaction account institution, such as a Licensed

13   Money Transmitter (LMT). The transaction account **102** includes multiple sub-accounts **810** each

14   adapted for association with an entity, such as a customer or consumer (individual, corporate,

15   institutional, etc.), comprising a sub-account holder **812**. Although the transaction account **102**

16   has been described in connection with an LMT, other financial institutions would be suitable for

17   maintaining same. Still further, the sub-account holders **812** can transact directly with the

18   transaction account institution **102**, thus bypassing the agent **112**.

19   In an exemplary configuration of the system **802**, the transaction account

20   institution **102** creates sub-accounts **810** in anticipation of their sales by the POS terminal agents

21   **112**. The sub-accounts **810** can be assigned sub-account numbers **811** and, optionally, PINs in

22   advance of their purchase by sub-account holders **812**. The term sub-account is used herein to

23   denote accounts which collectively comprise parts of a main account maintained by the

24   transaction account institution **102**. However, the terms "account" and "sub-account" are to be

25   construed broadly and interchangeably to encompass all types of financial accounts.

26   The sub-account holder **812** interacts with the transaction account institution **102**

27   primarily through an agent with a point-of-sale (POS) terminal **112**. The POS terminal **112**

28   includes a control terminal **814** linked to a card reader **816** and a printer **818**. As indicated by the

29   arrow **820**, funds are transferred back and forth between the transaction account institution **102**

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1 and the POS terminal (agent) **112**. Such transfers reflect deposits to and withdrawals (i.e., the

2 issuance of negotiable instruments **824**) from the sub-account **810** by its holder **812**.

3 The POS terminal agents **112** are authorized by the transaction account institution

4 **102** to open and activate sub-accounts **810** and to sell cash cards **822** to sub-account holders **812**.

5 Each sub-account holder **812** is issued a Cash Card™ **822** similar to those described above.

6 Preferably the sub-account holder's name is recorded with the sub-account number **811** in the

7 data records maintained by the transaction account institution **102**. The Cash Card™ **822** can

8 include a magnetic strip **836** for recording the account number and an optional identifier, such as a

9 PIN, for the sub-account holder **812**.

10 The sub-account holder **812** can obtain negotiable instruments **824** from the POS

11 terminal **112** by swiping the Cash Card™ **822** in the card reader **816** whereupon the control

12 terminal **814** outputs a negotiable instrument **824** via the printer **818** and posts the appropriate

13 debit entries to the sub-account **818** with the transaction account institution **102**. The negotiable

14 instrument **824** can comprise any suitable negotiable instrument, such as a check, draft, warrant,

15 money order, traveler's check, etc. Preferably the negotiable instrument **824** is made payable to

16 the sub-account holder **812**.

17 The negotiable instrument **824**, made payable to the sub-account holder **812**, can

18 be cashed at a negotiable instrument cashing institution **838**. Security is provided by making the

19 negotiable instrument **824** payable only to the sub-account holder **812**, who can be required to

20 present identification **840** to the cashing institution **838**. Moreover, the sub-account holder **812**

21 can be required to endorse the negotiable instrument **824**. Still further, the negotiable instrument

22 **824** can optionally include a restrictive legend **842** printed thereon requiring identification **840**,

23 endorsement **841** and setting an upper limit **829** for its face value. The cashing institution **838**

24 presents the negotiable instrument **824** to the transaction account institution (LMT) **102**, which

25 has already debited the sub-account **810** and makes the necessary funds transfer to the cashing

26 institution **838** as indicated by the arrow at **834**.

27 The ATM **116** (**FIG. 8b**) represents an optional source of negotiable instruments

28 **824**. The Cash Card™ **822** is read by a card reader **846** whereupon the ATM printer **844** prints a

29 negotiable instrument **824**. Funds are transferred from the transaction account institution (LMT)

30 **102** to the ATM **116** by the arrow indicated at **848**.

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Adam Coyle, Applicant

1   **FIGS. 11a** and **11b** show an exemplary method for issuing negotiable instruments

2   **824**. The method starts at **852** and proceeds to an open sub-account step at **854**. An account

3   number is assigned at **856**. A PIN decision at **858** results in a PIN being assigned at **860** if

4   affirmative. Otherwise, the method proceeds to step **862** whereat the Cash Card™ is sold.

5   Thereafter the sub-account is activated at **864** and the sub-account is associated with the card

6   buyer/sub-account holder at **866**, preferably by name. Funds are deposited at **868**. If deposited to

7   a bank account (affirmative branch from **870**), they are credited thereto at **872** and the funds are

8   swept to a transaction account at **874** as described above. Thereafter, or initially if the funds are

9   deposited directly to the transaction account (negative branch from **870**), the transaction sub-

10   account is credited at **876**.

11   The sub-account holder **812** requests a negotiable instrument at **878** by swiping the

12   Cash Card™ **822** in the card reader **816** at the POS terminal **112** at step **880**, which queries the

13   sub-account records at **882** for a sufficient balance determination at **884**. If negative, the method

14   proceeds to the reload card decision at **886**. If affirmative, the sub-account is debited in the

15   amount of the negotiable instrument plus transaction fees at **888**, the negotiable instrument is

16   issued at **890** for presentation by the sub-account holder to a negotiable instrument cashing

17   institution at **892**. The negotiable instrument is endorsed at **894** and the sub-account holder

18   produces identification at **896** whereby the sub-account holder's identification is verified at **898**.

19   Cash is dispensed at **900** and the agent cashes the negotiable instrument at **902** and deposits same

20   for clearing and payment at **904**. The method then proceeds to a reload card decision at **886**. If

21   negative, the method ends at **904**. If affirmative, the method returns to step **876** whereat funds

22   are credited to the sub-account **810** at the transaction account institution **102**. If negative, the

23   method proceeds to end block **906**.

24   From a reading of the description above pertaining to the disclosed embodiments

25   of the present invention, modifications and variations thereto may become apparent to those

26   skilled in the art. Other alternatives and variations may also become apparent to those of ordinary

27   skill in the art upon a close examination of this specification in view of the drawings. It should be

28   appreciated that many features and aspects of the present invention were described above by way

29   of example only and are therefore not intended to be interpreted as required or essential elements

30   of the invention. Any elements of the invention that are required or essential would have been

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1   explicitly indicated to be so, for example by describing that the element "must" be included.

2   Therefore, the scope of the present invention is to be limited only by the following appended

3   claims.